

Message Text

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ORIGIN EA-03

INFO OCT-01 ISO-00 /004 R

666

DRAFTED BY: EA/PRCM:RAHOLMES:EBS

APPROVED BY: EA/PRCM - SROY

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R 211737Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

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FOL RPT HONG KONG 13710 SENT ACTION SECSTATE INFO TOKYO

USLO PEKING CINCPAC NOV 18 QTE

LIMITED OFFICIAL USE HONG KONG 13710

CINCPAC FOR POLAD

E.O. 11652: NA

TAGS: ETRD, CH, US

SUBJECT: US PARTICIPATION IN THE 1975 FALL CANTON FAIR

SUMMARY: CHINA'S 38TH CANTON TRADE FAIR CLOSED NOVEMBER 15 WITH THE TOTAL VALUE OF BUSINESS TRANSACTED SURPASSING THE DEPRESSED LEVELS OF THE PREVIOUS TWO FAIRS. ATTENDANCE BY FOREIGN BUSINESS MEN ALSO RECOVERED FROM THIS SPRING'S LOW TO LEVELS REACHED AT THE FALL FAIR ONE YEAR AGO. COMPLEMENTING THIS UPWARD TREND, THE NUMBER OF AMERICANS BUSINESSMEN ESTABLISHED A NEW RECORD AND THE VALUE OF TOTAL BUSINESS TRANSACTED BY US COMPANIES APPROACHED RECORDS SET AT PREVIOUS FAIRS. END SUMMARY.

1. CHINA'S 38TH CANTON TRADE FAIR CLOSED NOVEMBER 15 WITH MOST OBSERVERS AGREEING WITH AN OFFICIAL NCNA CLAIM THAT THE VALUE OF TOTAL BUSINESS THIS FALL HAD SURPASSED THAT OF THE PREVIOUS TWO FAIRS. ATTENDANCE BY FOREIGN BUSINESSMEN

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ALSO INCREASED OVER THE SPRING FAIR WITH NCNA REPORTING A TOTAL OF 25,000 "FOREIGN FRIENDS", OR THE SAME LEVEL OF ATTENDANCE AS ONE YEAR AGO. ALSO IN CONTRAST TO THE GLOOM WHICH HUNG OVER THE PREVIOUS TWO EVENTS, THIS FALL'S FAIR

BEGAN SMARTLY AND A POSITIVE ATMOSPHERE PREVAILED THROUGHOUT.

2. PRC PRICES WERE GENERALLY COMPETITIVE IN RELATIONS TO WORLD MARKETS AND THE CHINESE EXHIBITED A RARE AMOUNT OF FLEXIBILITY IN THEIR EFFORTS TO SELL. WESTERN TRADERS WHO RETURNED IN LARGER NUMBERS, WERE CLEARLY MORE OPTIMISTIC ABOUT THE FUTURE OF THEIR OWN ECONOMICS AND THIS WAS REFLECTED IN GREATER WILLINGNESS TO DO BUSINESS IN CANTON. FOLLOWING THIS POSITIVE TREND, AMERICAN PARTICIPATION IN THE FAIR AGAIN MADE A SIGNIFICANT CONTRIBUTION TO ITS SUCCESS. THE FOLLOWING IS USLO'S GENERAL OVERVIEW OF US ACTIVITY TO BE SUPPLEMENTED BY A GENERAL FAIR SUMMARY WHEN THE REPORTING OFFICER RETURNS TO PEKING.

3. ATTENDANCE-CONTINUED THE RECORD SETTING PERFORMANCE OF PREVIOUS FAIRS, AMERICAN CAME TO CANTON THIS FALL IN LARGER NUMBERS THAN EVER BEFORE. BY THE CLOSE OF THE FAIR, USLO OFFICERS HAD MET REPRESENTATIVES OF 332 US FIRMS (OR SUBSIDIARIES ACTING ON US PARENTS BEHALF) AND 497 AMERICANS. ON THIS BASIS WE ESTIMATE TOTAL US ATTENDANCE AT ABOUT 400 COMPANIES AND 600 CITIZENS, COMPARED WITH ESTIMATES OF 280 AND 440 FOR THE SPRING FAIR. WITH THIS SHOWING AMERICANS NOW RANK BEHIND THE OVERSEAS CHINESE AND JAPANESE (2,300) AS THE THIRD LARGEST CONTINGENT OF BUSINESSMEN ATTENDING THESE SEMI-ANNUAL EVENTS.

4. OVERALL BUSINESS-THE TOTAL VALUE OF AMERICAN TRANSACTIONS AT THE FAIR REACHED AT LEAST \$56 MILLION. PURCHASES BY US FIRMS (FOR US DELIVER) TOTALLED \$39 MILLION AND WERE COMPARABLE TO THE RECORD LEVEL OF ONE YEAR AGO. HOWEVER, US SALES (OF US ORIGIN GOODS) DROPPED TO \$17 MILLION WELL BELOW THE \$30 MILLION ACHIEVED AT THE SPRING FAIR. ONCE AGAIN THIS FAIR THERE WAS A MAJORITY OF NEWCOMERS, MOST OF WHOM CAME ONLY TO COLLECT SAMPLES AND INVESTIGATE THE POSSIBILITY OF FUTURE BUSINESS WITH CHINA. IN CONTRAST TO PREVIOUS FAIRS, HOWEVER, ACTUAL BUSINESS WAS SPREAD AMONG A LARGER NUMBER OF COMPANIES AND IN A BROADER RANGE OF PRODUCTS. IN TERMS OF NUMBERS, AMERICANS SHOWED STRONGEST INTEREST IN ARTS AND CRAFTS, TEXTILES AND CHEMICALS DURING THE FAIR.

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5. BUSINESS BY PRC COOPERATION-CLIMAXING AN UPWARD TREND IN US PURCHASES WHICH BEGAN LAST SPRING, US BUSINESS WITH THE CHINA NATIONAL TEXTILES COOPERATION (CHINATEX) EXCEEDED THAT WITH ANY OTHER COOPERATION. BY FAIR'S END ABOUT 55 AMERICAN COMPANIES HAD MET WITH CHINATEX NEGOTIATORS AND TOTAL BUSINESS EXCEEDED \$13 MILLION. PURCHASES WERE HEAVIEST IN COTTON GRAY GOODS AND PEICE GOODS AS US BUYERS RESPONDED TO CHINESE PRICES THAT WERE HIGHER THAN THE SPRING FAIR, BUT STILL VERY COMPETITIVE WITH THE INTERNATIONAL MARKET. FOLLOWING THIS TREND PRC SALES OF GARMENTS ALSO RECOVERED FROM A POOR SHOWING AT TWO PREVIOUS FAIRS, ASSISTED BY REASONABLE PRICING AND POSITIVE CHINESE EFFORTS TO SATISFY THE REQUIREMENTS OF AMERICAN

BUYERS. TO AN UNPRECEDENTED EXTEND CHINATEX NEGOTIATORS WERE AGREEABLE TO REQUESTS FOR PRIVATE LABELING, STYLING AND CONSTRUCTIONS, BUT SOME NEWCOMERS AND SMALL IMPORTERS STILL ENCOUNTERED TRADITIONAL CHINESE RESISTANCE IN THESE AREAS. LARGE PRUCHASES WERE REPORTED BY LESLIE FAY CO. OF NEW YORK (\$1 MILLION) CHROMALLOY (\$300,000 IN GRAYGOODS), AND SEARS (150,000 YARDS OF CORDUROY) WHILE MOST ALONE ON THE EXPORT SIDE UNIROYAL SOLD \$800,000 OF SYNTHETIC FIBERS TO THE CHINESE.

6. AFTER TEXTILES MINERALS AND METALS TRANSACTIONS WERE NEXT IN DOLLAR VALUE TOTALING APPROXIMATELY \$9.5 MILLION. WHILE THIS WAS SUBSTANTIALLY BELOW LAST SPRING'S TOTAL OF NEARLY \$20 MILLION, SIGNIFICANT PURCHASES WERE MADE IN TUNGSTEN (860 TONS) ANTIMONY OXIDE (175 TONS), ZINC AND ONE FIRM (TENNANT) REPORTED BUYING \$2-4 MILLION OF TIN FOR POSSIBLE US DELIVERY. IN TUNGSTEN, PURCHASES WERE DIVDED BETWEEN UNION CARBIDE (500 TON FOR \$3.5 MILLION) AND LI-TUNGSTEN WHICH BOQGH 360 TONS FOR \$2.52 MILLION THROUGH ITS NEW YORK AGENT DA SING COMPANY. US PURCHASES OF ANTIMONY WERE VALUED AT \$900,000 AND SPREAD AMONG FOUR FIRMS, WLLMAN (100 TONS) SOBIN (60 TOMS), MONSANTO (50 TONS). GERALD METALS BOUGHT \$1.8 MILLION OF ZINC. WESTINGHOUSE BOUGHT 110 KILOS OF ANTIMONY REGULARS, AND SEVERAL OTHER CORPORATIONS PURCHASES SAMPLE QUANTITIES OF VARIOUS MINERALS FOR TESTING IN THE US. IN GENERAL, HOWEVER, HIGH PRICES, ESPECIALLY FOR TIN AND TUNGSTEN AND LIMITED QUANTITIES DISCOURAGED A NUMBER OF US FIRMS FROM DOING BUSINESS IN THIS AREA. SIMILARLY ON THE EXPORT SIDE, UNREASONABLE PRC PRICES PREVENTED SALES OF US STEEL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SCRAP AND OTHER MINERAL AND METAL PRODUCTS AT THIS FAIR.

7. US CHEMICAL TRANSACTIONS FOLLOWED IN DOLLAR VALUE TOTALING

AT LEAST \$8.5 MILLION. ON THE US EXPORT SIDE, SINOCHEM DELEGATION VICE CHAIRMAN LIU PAO-KANG TOLD USLO THAT PRV PURCHASES OF US ORIGIN CHEMICALS FROM US SUPPLIES TOTALED \$5.5 MILLION ON NOVEMBER 13 AND ADDITIONAL SALES MAY HAVE OCCURRED IN THE LAST TWO DAYS OF THE FAIR. MOST SIGNIFICANT AMONG CONTRACTS CONCLQDED WAS ONE FOR 20,000 TONS OF DUTCH ORIGIN UREA (\$2.04 MILLION) BY THE TA ING CO (NY) FOR AN UNNAMED US PRINCIPLE AND ANOTHER FOR 2,800 TONS OF SODIUM-TRI-POLY-PHOSPHATE BY SOBIN CHEMICAL. IN THE LAST TWO DAYS OF THE FAIR, ESSCOHEM (HK) REACHED AGREEMENT IN PRINCIPLE TO SELL 50,000 TONS OF UREA A(ALSO DUTCH ORIGIN) AND AN ADDITIONAL 30,000 TONS WAS UNDER DISCUSSION WITH ANOTHER US SUPPLIER. IF COMPLETED THESE SALES OF UREA WOULD BE WORTH ABOUT \$8 MILLION. IMPORTANT SALES OF CHEMICALS AND PHARMACEUTICALS WERE ALSO RECORDED BY FALLED (\$900,000), CHEVRON (500,000), AMERICAN CYANAMID (\$350,000), UNIROYAL (\$200,000), PFIZER (\$250,000) AND SQUIBB (\$100,000).

8. ON THE US BUYING SIDE, VICE CHAIRMAN LIU SAID PRC SALES TO AMERICAN FIRMS FOR DELIVERY TO THE US TOTALED BETWEEN \$2-3 MILLION IN A RANGE OF CHEMICALS, ACCORDING TO COMPANY REPRESENTATIVES ASHLAND, ROHM AND HAAS SOBIN, SQUIBB, MILES LABORATORIES, AND PFIZER ALL MADE PURCHASES AT THE FAIR. IN ALL, SOME 35 FIRMS MET WITH SIHOCEM IN CANTON INCLUDING THOSE FROM THE HONG KONG OFFICES OF CALTEX, MOBIL, AND PHILLIPS PETROLEUM WHO CONTINUED THEIR DISCUSSIONS ON BOTH THE PURCHASE AND SALE OF PETROLEUM PRODUCTS TO THE PRC.

9. IN LIGHT INDUSTRY (LI US BUSINESS ACTIVITY AND TOTAL VALE OF TRANSACTIONS WAS GREATER THAN AT ANY PREVIOUS FAIR. ACCORDING TO THE LI DELEGATION'S SECRETARY GENERAL MORE THAN 300 AMERICAN REPRESENTING 160 FIRMS HAD CONTACTED HIS CORPORATPON AND, BY THE CLOSING DAYS OF THE FAIR, OVER 100 CONTRACTS HAD BEEN CONCLUDED. AS USUAL BUYING WAS HEAVIEST IN STRAWPRODUCTS, BAMBOO AND OTHER TYPES OF ARTS AND CRAFTS BUT THE PRESENCE OF A NUMBER OF US SHOE COMPANIES ALSO INDICATED THAT THIS PRODUCT MAY EVENTUALLY LIMITED OFFICIAL USE
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BECOME A MAJOR EXPORT FROM THE PRC. INCLUDING AN ESTIMATED \$3 MILLION IN PURCHASES AND THE SALE BY MEAD PACKAGING OF 15,000 TONS OF PAPER PULP VALUED AT \$3.8 MILLION, TOTAL US BUSINESS WITH THE LIGHT INDUSTRIAL COROPERATION REACHED \$7 MILLION FOR THIS FAIR.

10. WHILE LOWER THAN THE PREVIOUS FAIR, US PURCHASES FROM THE CREALS OILS AND FOODSTUFF CORPORATION (CEROILFOODS) REACHED ALMOST \$5 MILLION AND WERE SPREAD AMONG A LARGER NUMBER OF COMPANIES AND A BROADER RANGE OF PRODUCTS. FOLLOWING AN APPARENTLY SUCCESSFUL RESOLUTION OF LAST YEAR'S POBLEMS WITH USDA REJECTION SEABROOK FOODS PURCHASES \$343,000 OF FROZEN SHRIMP AND SMALLER QUANTITIES WERE TAKEN BY A NUMBER OF OTHER US IMPORTERS. THE CHINESE WERE INTENT ON EXPANDING THEIR EXPORTS OF THIS ITEM TO THE US AND ACCORDING TO A CORPORATION OFFICIAL, ST ASIDE QUANTITIES AND OFFERED THEM AT SPECIAL LOW PRICES TO US BUYERS. IN OTHER BUSINESS AMERICAN PURCHASES NUTS, GINGER, A VARIETY OF CANNED GOODS AND ONE FIRM CONTINUED ITS EFFORTS TO IMPORT FRESH MANDARIN ORANGES INTO THE US. LIKE OTHER WESTERNERS, HOWEVER, AMERICANS ENCOUNTERED A GENERAL LACK OF AVAILABILITIES AND BUSINESS WOULD HAVE BEEN GREATER HAD CEROILFOODS BEEN ABLE TO MEET THEIR DEMANDS.

11. AFTER A LACKLUSTER SHOWING AT TWO PREVIOUS FAIRS, US BUISNESS WITH THE NATIVE PRODUCE CORPORATION REVIEVED THIS FALL AND TOTAL PURCHASES FOR SHIPMENT TO THE US MAY HAVE REACHED \$4 MILLION. IN PREPARATION FOR THE US BI-CENTENNIAL SEVERAL FIREWORKS DISTRIBUTORS WERE REPRESENTED AND PURCHASES MAY HAVE REACHED MORE THAN \$2 MILLION RIVAL FACTIONS IN THE

CURRENT INTER-INDUSTRY DISPUTE OVER FIREWORKS SAFETY STANDARDS
PRESENTED THEIR VIEWS ON THE NATURE OF A POSSIBLE RULING BY
THE US PRODUCTS SAFETY COMMISSION AND, IN THE END, THE CHINESE
SOLD TO BOTH SIDES WHILE AGREEING TO CHANGE THEIR LABELING
TO COMPLY WITH POSSIBLY STRICTER SAFETY REGULATIONS IN THE
FUTURE. IN OTHER AREAS, BUSINESS WAS DONE IN FEATHERS AND DOWN
BY SIX FIRMS WHO SAID PROSPECTS FOR STEADY GROWTH IN IMPORTS
APPEAR GOOD FOLLOWING THE REMOVAL OF US TARIFFS ON THESE
PRODUCTS LAST SPRING. TOBACCO WAS PURCHASED BY AT
LEAST THREE FIRMS FOR EXPORT TO NON-US DESTINATIONS AND A
NUMBER OF SMALL CONTRACTS WERE SIGNED IN SUCH TRADITIONAL
PRC EXPORTS AS CARPETS, KASHMERE ESSENTIAL OILS.
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12. US PURCHASES FROM THE MACHINERY CORPORATION (MACHIMPEX)
DROPPED BELOW LAST YEAR'S MEAGER LEVEL OF \$255,000,
BUT DID INCLUDE AN ORDER FOR FOUR RADIAL DRILLING MACHINES BY
THE WORLD WIDE EQUIPMENT CO. IN ADDITION AN AGENT FOR
SUMMITT MACHINE TOOL CO. REPORTED THAT, AS A RESULT OF FAIR
DISCUSSION, THIS FIRM WILL PURCHASE 200 PRC LATHES EARLY NEXT
YEAR. ON THE SELLING SIDE, A NUMBER OF MAJOR US EXPORTERS
MADE PRESENTATIONS TO MACHIMPEX ON THE POSSIBLE FUTURE SALE OF
THEIR EQUIPMENT. AMONG THESE WERE INTERNATIONAL HARVESTER,
ROCKWELL INTERNATIONAL, WESTINGHOUSE, GENERAL MOTORS, CLARK
CINCINNATI MILACRON, LOCKHEED AND PIPER AIRCRAFT. AS FOR THE OIL
FIELD EQUIPMENT DIVISION OF ARMCO STEEL, COLGATE-PALMOLIVE &
SMITH INTERNATIONAL. ALSO IN THE OIL FIELD EQUIPMENT AREA,
KEN-DAVIS CO. OF HOSUTOM SOLD \$.5 MILLION OF OIL PIPE EQUIPMENT
THROUGH A CANADIAN SUBSIDIARY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESSMEN, TRADE FAIRS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE276085
Document Source: ADS
Document Unique ID: 00
Drafter: EA/PRCM:RAHOLMES:EBS
Enclosure: n/a
Executive Order: 11652 NA
Errors: n/a
Film Number: D750408-0314
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751190/baaaadcv.tel
Line Count: 256
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUL 2003 by ShawDG>; APPROVED <14 NOV 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, CH, US
To: TAIPEI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006